

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 817 - SB 978

February 22, 2021

SUMMARY OF BILL: Removes the requirement that a municipal electric plant receive consent of a municipality to operate within its corporate limits. Increases, from 10 to 25 Megabits per second (Mbps), the minimum download speed and increases, from 1 to 3 Mbps, the minimum upload speed thresholds of broadband service for eligibility to receive a grant under the Broadband Accessibility Grant Program (BAGP).

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$300,000/FY23-24/Permissive

Increase Local Expenditures – Exceeds \$300,000/FY22-23/Permissive

Assumptions:

- The proposed language will enable municipal electric plants to expand their service area into other municipalities without their consent.
- Under current law:
 - Tenn. Code Ann. § 7-52-103, municipal electric plants are authorized to provide electric and cable services within their service area;
 - Tenn. Code Ann. § 7-52-601(a), municipal electric plants are authorized to provide internet service within their service area; and
 - Tenn. Code Ann. § 7-52-603, municipal electric plants providing any authorized services are required to establish and charge rates which cover all costs related to the provision of such services.
- While it is unknown how many municipal electric plants will choose to expand their service area as a direct result of this legislation, the extent of services which will be provided within the expanded service area, and the amount of infrastructure costs that will be associated with providing such services, a precise permissive increase in local government expenditures and equal corresponding permissive increase in local government revenue cannot be determined but is reasonably estimated to exceed \$300,000 statewide.
- Due to the amount of planning and work associated with installing such infrastructure, expenditures are estimated to occur in FY22-23, with revenues occurring after service is established for customers.
- The equal, corresponding increase in local revenue will be realized over the course of several years in the form of rates paid by customers. A precise timeframe for when the

debt issued will be repaid in full is unknown due to multiple unknown variables; however, for the purposes of this fiscal analysis the equal, corresponding increase in local revenue is shown as occurring in FY23-24.

- The Federal Communications Commission (FCC) defines broadband service as a minimum 25 Mbps download and 3 Mbps upload speed.
- While Tenn. Code Ann. § 4-3-708 establishes minimum speed thresholds which are lower than the FCC's thresholds for eligibility to receive a grant under the BAGP, it is reasonably assumed that BAGP grant applicants currently provides broadband service meeting the FCC's definition.
- The Governor's proposed budget for FY21-22, on page B-309, provides for a non-recurring state appropriation of \$200,000,000 to the Department of Economic and Community Development to provide grants and tax credits to increase broadband accessibility.
- Increasing the minimum download and upload speed thresholds required to be eligible to receive a grant under the BAGP will not alter current levels of state appropriations made to the BAGP; therefore, any fiscal impact to state government is considered not significant.

IMPACT TO COMMERCE:

Other Fiscal Impact – Due to multiple unknown factors, a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

Assumptions:

- Authorizing municipal electric plants to expand their service area without the consent of applicable municipalities will result in a change to business revenues for private companies currently providing services within the expanded municipal electric plant service area; however, it is unknown how many such municipal electric plants will opt to expand their service area, what services will be provided, when services will be available to customers, the extent of customers with a new option in such service providers, and the extent of any impact to rates charged by private businesses for such services as a direct result of the competition provided by municipal electric plants.
- Due to multiple unknown factors a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.
- Increasing the minimum download and upload speed thresholds required to be eligible to receive a grant under the BAGP will not result in any significant impact to jobs or commerce in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive style with a large, prominent 'B' and 'S'.

Bojan Savic, Interim Executive Director

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